

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Peter B. Madoff et al.
Serial No. : 09/272,542
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Title : AUCTION MARKET WITH PRICE IMPROVEMENT MECHANISM

Art Unit : 3621
Examiner : Hewitt, Calvin

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GROUP 3600

REPLY BRIEF

Pursuant to 37 CFR 1.93(b)(1), Appellant's response to arguments raised in the Examiner's Answer mailed on December 2, 2003 is as follows:

At the outset the Examiner states that: "The brief does not contain a statement identifying the related appeals and interferences which will directly affect or be directly affected by or have a bearing on the pending appeal is contained in the brief." Appellant's main brief has a statement regarding related appeals and interferences that is in accordance with 37 CFR 1.92.

The Examiner's Answer characterizes the terms "order", "response" and "contra-side order" incorrectly and inconsistently for the claim groupings. In general, these comments are applicable to all claim groupings to the extent that the underlying claims in the claim groupings recite the particular terms.

In Group I, the Examiner contends that he has given the ordinary meaning to the term "order" (Examiner's Answer Page 11) using The American Heritage Dictionary, Second College Edition definition (Examiner's Answer Page 12) of order as a "commission or instruction to sell or supply something." The Examiner further contended that Appellant's argument was an attempt to read limitations from the specification into the claims (Examiner's Answer Page 12).

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Appellant's argument is consistent with the definition given by the Examiner of the term "order." Indeed, given the ordinary meaning of the word order, the term "order" conveys to one of ordinary skill in the art that an order could be a buy or a sell order, as Appellant argued. The argument for claim 33 is consistent with this definition and cannot be seen as an attempt to read limitations from the specification into the claims since the argument merely addresses the ordinary meaning of the term order. Claim 33 requires an order and a contra-side order namely a buy order and a sell order. Appellant reiterates its opinion therefore that Harrington does not teach entering orders for the reasons set forth in Appellant's brief.

The "offer" in Harrington is not the functional equivalent to the order or contra-side order as recited in Appellant's claim 33 or other claims. The "offer" described in Harrington determines the extent of the auction, but is only taught on the sell-side of the market. The Examiner interprets "bids" in Harrington as corresponding to the buy side of an order.¹ However, the Examiner also takes the contradictory position that Harrington's bids correspond to Appellant's "responses."² Harrington does not teach orders, contra-side orders and responses. The Examiner also attempts to make Harrington's "bids" a cure-all for everything that the Examiner cannot find an analogy to in Harrington (e.g., contra-side orders and responses).

In Appellant's claim 33, each time an order is entered it starts an auction by specifying the exposure time for the order. However, the system will also match the order with a previously entered or later entered contra-side order if the contra-side order is within its exposure time and matches the terms of the order still within its exposure time. This is not the situation with the bids in Harrington. Bids in Harrington do not specify an exposure time for which the bids can be displayed for responses. The bids do not "control" the auction in Harrington, as does Harrington's "offer" and Appellant's recited "order or contra-side order."

The Examiner contends that his interpretation of order is "in line with Appellant's system as an order is entered using order, type, quantity, financial product and exposure time

¹ (See for instance Examiner's Answer Page 12 where the examiner cites Harrington at Col. 6 lines 10-65 and Examiner's Answer Page 19 (argument for group VI) "A bid is a contra-side order as it is an order (an instruction to buy) on the opposite side of the an (sic) order to supply or sell something."

² (See Examiner's Answer Page 12 "evidenced by the responses to buy ...").

(Examiner's Answer Page 12)." However, the Examiner fails to show where Harrington teaches that bids specify an exposure time for which the bids can be displayed for responses. Therefore, Harrington's teaching of an offer neither describes nor suggests an order or a contra-side order.

The Examiner also confuses "responses" with "bids." As used by Appellant, "responses" are not the equivalent of "orders" in Appellant's claims. The Examiner, however, appears to rely upon the bids in Harrington as being the same as "responses" in Appellant's system, as well as contra-side orders. In Appellant's claims, responses, orders and contra-side orders are distinct elements having different patentable features. An order initiates an auction using the feature of an exposure time that specifies the time, for which the order can be displayed for responses; whereas, a "response" is entered in response to an auction and has the property of being priced relative to a current indicator of prevailing market price and can include a price improvement. Harrington does not suggest these distinct features.

The Examiner also misinterprets Appellant's argument. Appellant did not argue that orders are two-sided. Rather Appellant uses the ordinary meaning of the term "order" that an order can be a buy or sell order in arguing that Harrington did not have an order. That is, Appellant used the analogy that if "offers" in Harrington were construed to describe or suggest "orders", an Issuer of bonds would also be buying bonds through a "buy offer", i.e., "contra-side offer." However, an Issuer of bonds also buying bonds through a "buy offer" would not serve any purpose nor make any sense in the system described by Harrington. The question that the Examiner asks: "Why does the Issuer have to buy bonds?" (Examiner's Answer Page 13) is not the correct question to ask. The correct question is: "Where is the response described by Harrington given the Examiner's analysis?"

The Examiner's analysis does not squarely and cogently address these three features in claim 33, i.e., "an order", "a contra-side order" and "a response." In claim 33, orders and contra-side orders have the common property that each has an exposure time, which determines the extent of the auction; whereas, the response has a different property, i.e., the response is priced relative to a prevailing current market price and has a price improvement. The Examiner by equating "bids" in Harrington to contra-side orders in Appellant's claim 33 leaves no feature in

Harrington to correspond to Appellant's claimed "response." This shows the illogical position and fallacy of the Examiner's argument.

The Examiner argues that he has considered each limitation (Examiner's Answer Page 15). While Examiner indicated at Examiner's Answer Page 7 that Harrington describes entering a response at FIGS. 6, 10 and 13, column 9, lines 11-65, column 10, lines 12-31, these teachings are merely directed to bids. However, the Examiner also stated (Examiner's Answer Page 4) that the claims "...recite nonfunctional descriptive material... Hence, the entering of a response step is merely descriptive material, ...", citing *In re Lowry* 32 F.3d 1579 (Fed. Cir. 1994), and citing *In re Gulack*, 703 F.2d 1381 (Fed. Cir. 1983). In essence, the Examiner considered responses, gave no patentable weight to any limitations reciting "responses" by declaring them merely descriptive material, and ignored the limitations regarding "responses" by relying on but not indicating any basis for reliance on the printed matter doctrine.

Group I

In Group I, the Examiner's argument was addressed to the questions of orders and responses. To the extent that the elements mentioned in the discussion above are present in the claims in this group, the argument above suffices to set out Appellant's Reply to the Examiner's Answer.

Group II

In Group II, Appellant argues the limitation that some of the responses specify a relative price with a price improvement with the relative price being relative to a generally accepted indicator of a prevailing current market price... . The Examiner contends (Examiner's Answer Page 14) that Harrington et al. teach "an auctioneer limiting incoming bids accepted by the system to allow only better bids Therefore, a best bid is a generally accepted indicator of prevailing current market price while an incoming and better bid embodies a specified price improvement"

Appellant's claims recite that the response to the order specifies a relative price with price improvement. The Examiner admits that the system in Harrington allows only better bids.

However, this teaching does not suggest what Appellant has claimed, that is "the response specifies a relative price, relative to a generally accepted indicator of prevailing market price." In Appellant's system, a response that does not meet the terms of a current order could nonetheless remain in the system to meet the terms of a later order. It is not automatically rejected by the system because of some concept of a better price, as taught by Harrington.

Harrington's teaching of "better or best bids" does not suggest a generally accepted indicator of prevailing market price. In Appellant's system a generally accepted indicator of prevailing current market price of the product will vary and fluctuate according to market conditions, and thus the relative price of the response with price improvement will increase or decrease in accordance with the current conditions in the market as explained in Applicant's specification. The word "current" therefore clearly allows for the price of a particular response to change with the market. However, in Harrington's system, only better bids are entered into the system and thus Harrington's system does not have generally accepted indicator of prevailing current market price since the price is not current but merely is the best price. There does not exist a generally accepted indicator of prevailing current market price in Harrington because the purpose of Harrington's system is to try to establish a market for the product offered.

With respect to the Dutch Flower Auction, the Examiner misconstrued Appellant's argument by stating that Appellant argued that integration of the Dutch Flower Auction in Harrington would be beyond the abilities of one of ordinary skill (Examiner's Answer Pages 14-15). Appellant made no such argument. Rather, Appellant argued that the Examiner did not present a cogent line of reasoning as how or why such a mechanism would be used in Harrington's system or is otherwise relevant. As stated in Harrington's Background of the Invention section, the Dutch Flower Auction is a type of auction where the auctioneer "offers to sell a product in decreasing price increments, the first buyer to accept a bid being the winner." Such a teaching would not be useful in Harrington's auction system for the purposes of price yield discovery since it puts the burden on the Issuer of the bonds to determine what the market is (e.g., given current interest rates and so forth) for the municipal bonds rather than the market itself, i.e., the underwriters, and does not give bidders time to respond with better bids. Note in Harrington there is nothing for the bidder to accept until the auction finishes, because it is the

point of the auction to seek the best price. Thus, is not suggested to combine a Dutch Flower Auction with Harrington's system.

Group III

Appellant points out that Group III is directed to claim 2, not claim 1. The Examiner indicates to one of ordinary skill "the bid submission would be merely a matter of design choice, i.e., to include boxes for seconds" (Examiner's Answer Page 16). That statement, however, is a conclusion and it is not supported with a convincing line of reasoning as to why one of ordinary skill in the art would choose the claimed shorter times given the system described by Harrington. Harrington is seeking to provide a price yield discovery process rather than actively participate in the buying and selling of products for which there is an existing market. This is evident in Appellant's claims that the responses specify a relative price with the price improvement with the relative price being relative to a generally accepted indicator of a prevailing current market price. No such feature exists in Harrington.

Group IV

In Group IV, the Examiner's argument was addressed to the questions of orders and responses. To the extent that the elements mentioned in the discussion above are present in the claims in this group, the argument above suffices to set out Appellant's Reply to the Examiner's Answer.

Group V

The Examiner also equates the bid teachings of Harrington with predefined relative indications. Again the Examiner uses the bid in Harrington to describe or suggest a different feature used in Appellant's claims. The Examiner indicates "A bid is pre-defined as both supplying and bidding parties understanding their responsibilities once a bid is accepted (Examiner's Answer Page 18). However, that is not the meaning of the term "predefined" as used by Appellant. Rather, predefined signifies that a predefined relative indication can actually exist in the system before an auction is initiated by an order. The bid as described by Harrington

is not relatively priced and does not exist in the system prior to an Issuer initiating an offer. The price of the bid that is entered by a bidder is a fixed price. That the system may allow a better bid to enter to become a new best bid does not make the bid, which is at a fixed price, a relatively priced feature.

Appellant's claims recite that the response to the order specifies a relative price with price improvement. The Examiner admits that the system in Harrington allows only better bids. However, this teaching does not suggest what Appellant has claimed, that is "the response specifies a relative price, relative to a generally accepted indicator of prevailing market price." In Appellant's system, a response that does not meet the terms of a current order could nonetheless remain in the system to meet the terms of a later order. It is not automatically rejected by the system because of some concept of a better price, as taught by Harrington.

As argued above with respect to responses, Harrington's teaching of "better or best bids" does not suggest a generally accepted indicator of prevailing market price. In Appellant's system a generally accepted indicator of prevailing current market price will vary and fluctuate according to market conditions. Thus, the relative price of the predefined relative indication will increase or decrease in accordance with the current conditions in the market as explained in Appellant's specification. The word "current" therefore clearly allows for the price of a particular predefined relative indication to change e.g., to go up and down with the market. However, in Harrington's system, only better bids are entered into the system and thus Harrington's system does not have a generally accepted indicator of prevailing current market price since the price is not current but merely is the best price.

Furthermore, the Examiner also contends that Appellant attempts to more narrowly define or further explain the terms of claim 7 by incorporating limitations shown in the specification. This is incorrect. Appellant argued and claimed in claim 7 that predefined relative indications are undisclosed to participants in the market until and unless matched with an order. These are recited features of Appellant's claim 7 but are not features of a bid, as taught by Harrington. For a predefined relative indication to match with an order, it has to be on the opposite side of the market to that of the order. This is again not the situation with Harrington

where a bid in Harrington is only a bid to buy the product and is never "a bid to sell" the product thus, showing that Harrington does not possess a contra-side to the disclosed bids and offers.

The Examiner's reliance upon *Graham v. John Deere* 383 U.S. 1 (1966) does not relieve the Examiner from the burden to provide a convincing line of reasoning as to why one of ordinary skill in the art would be lead to apply the specific knowledge of that person's skill. It begs the question of what is "suggestion to combine," since Harrington fails to suggest the features recited in Appellant's claims. Has the Examiner resolved the level of skill in this art? Is one of skill in the art presumed to know all about the art? The Examiner fails to show where the person of ordinary skill in the art "presumed to know something about the art (Examiner's Answer Page 19)" would have found the knowledge that was missing in the Examiner's analysis.

Group VI

In Group VI, the Examiner argument was addressed to the questions of orders and responses. To the extent that the elements mentioned in the discussion above are present in the claims in this group, the argument above suffices to set out Appellant's Reply to the Examiner's Answer.

Group VII

While Appellants did state that the predefined relative indication remains "dormant" and "allowing trading to remain dormant and unseen by other participants" Appellant's argument is not introducing limitations from the specification when viewed in the context of claim 40. Claim 40 recites in part:

... the predefined relative indication specifies a quantity and being undisclosed to participants in the market until and unless matched with an order.

Appellant's explanation that the predefined relative indication remains dormant and allows trading interest to remain dormant is clearly encompassed within the limitation in claim 40, is supported in Applicant's specification and gives meaning and breadth to the limitation that

“the predefined relative indication is undisclosed to participants until and unless matched with an order.” Hence, until and unless matched, the predefined relative indication remains dormant in the system. It is therefore not seen that Appellant has added any further limitations into the claim but merely has further tried to explain to the Examiner the features of a predefined relative indication. Such features are not disclosed in Harrington’s teaching of a bid for the reasons discussed above.

Group VIII

Appellant relies upon the arguments in the Brief.

Group IX

In Group IX, the Examiner argument was addressed to the questions of orders and responses. To the extent that the elements mentioned in the discussion above are present in the claims in this group, the argument above suffices to set out Appellant’s Reply to the Examiner’s Answer.

Group X

To extent that limitations in this group of claim is present in the discussion of Group V, Appellant relies upon the discussion of a prevailing current market price with price improvement as discussed above for Group V.

For these reasons, and the reasons stated in the Appeal Brief, Applicant submits that the final rejection should be reversed.

Accompanying this Reply Brief is a Notice to Attend Oral Hearing. Please apply any charges or credits to Deposit Account No. 06-1050.

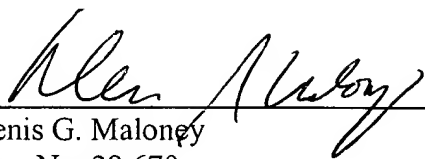
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Respectfully submitted,

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1/23/04



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